

The Office of the Inspector General (OIG), Department of Defense (DoD), announced today that on May 18, 2001, Healthsouth Corporation, Birmingham, AL, entered into a Settlement Agreement with the U. S. Department of Justice to resolve allegations set forth in the Complaint, United States ex rel. Greg Madrid v. Healthsouth Corp., et al. An Order of Dismissal and Lifting of Seal was signed on May 21, 2001. The terms of the agreement are that Healthsouth Corporation will pay the United States \$7.9 million and agree to comply with a Corporate Integrity Agreement between it and the U.S. Health and Human Services, Office of the Inspector General.

The settlement comes as a result of an investigation which determined Healthsouth purchased various capital equipment, including copiers, computers, and other equipment from GG Enterprises, for the sum of \$7,962,000. This amount exceeded the costs to GG Enterprises for the equipment and included profits to GG Enterprises or its principals. Healthsouth then submitted Medicare cost reports for the calendar year 1994, which included the entire amount paid to GG Enterprises. A cost report was also submitted to TRICARE. Healthsouth did not disclose the relationship between officers of Healthsouth and GG Enterprises or that GG Enterprises is a related organization to Healthsouth. In addition, Healthsouth submitted cost reports to Medicare for reimbursement for capital leases, which were also not disclosed as related party transactions. A third item was identified in an audit of the cost reports which was not an issue alleged in the complaint. The issue was related to the abandonment of property.